

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

(Expressed in Renminbi)

	Note	Equity attributable to equity shareholders of the Company										Minority interests	Total equity
		Share capital	Share premium	Capital reserve (note j)	Revaluation reserve	Statutory surplus reserve (note i)	Fair value reserve (note k)	Exchange reserve (note l)	Other reserve	Retained earnings/ shareholder's equity	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2006, as previously reported		-	-	-	-	-	-	-	-	6,772,775	6,772,775	520,421	7,293,196
Adjusted for acquisition of Target Business – (as defined in note 1c)	1(c)	-	-	-	-	-	-	-	2,515,137	-	2,515,137	141,219	2,656,356
Balance as at 1 January 2006, restated		-	-	-	-	-	-	-	2,515,137	6,772,775	9,287,912	661,640	9,949,552
Balance as at 1 January 2006		-	-	-	-	-	-	-	2,515,137	6,772,775	9,287,912	661,640	9,949,552
Contributions	(a)	-	-	-	-	-	-	-	-	906,013	906,013	388	906,401
Acquisition of minority interest through acquisition from CTC – (as defined in note 1b)		-	-	-	-	-	-	-	-	413,980	413,980	(413,980)	-
Profit distributions	(b)	-	-	-	-	-	-	-	-	(896,720)	(896,720)	(122,873)	(1,019,593)
Distributions	(c)	-	-	-	-	-	-	-	-	(1,123,087)	(1,123,087)	(1,194)	(1,124,281)
Net assets distributed to CTC (as defined in note 1) in connection of Restructuring	(e)	-	-	-	-	-	-	-	-	(1,660,674)	(1,660,674)	-	(1,660,674)
Recognition of deferred tax assets	25	-	-	-	-	-	-	-	25,824	-	25,824	-	25,824
Revaluation of property, plant and equipment	17(b)	-	-	-	415,557	-	-	-	-	-	415,557	-	415,557
Capitalisation upon legal establishment of the Company	1	3,960,000	-	1,413,776	-	-	-	-	-	(4,384,991)	988,785	-	988,785
Issuance of shares upon public offering	(h)	1,484,986	1,807,727	-	-	-	-	-	-	-	3,292,713	-	3,292,713
Share issue expenses	(h)	-	(249,944)	-	-	-	-	-	-	-	(249,944)	-	(249,944)
Transfer from retained earnings to other reserve		-	-	-	-	-	-	-	116,235	(116,235)	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	816,754	816,754	22,728	839,482
Appropriation	(i)	-	-	-	-	5,538	-	-	-	(5,538)	-	-	-
Balance as at 31 December 2006		5,444,986	1,557,783	1,413,776	415,557	5,538	-	-	2,657,196	722,277	12,217,113	146,709	12,363,822
Balance as at 1 January 2007		5,444,986	1,557,783	1,413,776	415,557	5,538	-	-	2,657,196	722,277	12,217,113	146,709	12,363,822
Consideration for the acquisition of the Target Business (as defined in note 1c)	1(c)	-	-	-	-	-	-	-	(3,656,774)	-	(3,656,774)	-	(3,656,774)
Contributions	(a)	-	-	-	-	-	-	-	709,540	-	709,540	-	709,540
Acquisition of minority interests		-	-	-	-	-	-	-	67,723	-	67,723	(67,723)	-
Profit distributions	(b)	-	-	-	-	-	-	-	-	(62,680)	(62,680)	(5,911)	(68,591)
Distributions	(d)	-	-	-	-	-	-	-	(260,084)	-	(260,084)	-	(260,084)
Recognition of deferred tax assets	25	-	-	-	-	-	-	-	22,454	-	22,454	-	22,454
Transfer from retained earnings to other reserve	(f)	-	-	-	-	-	-	-	12,113	(12,113)	-	-	-
Transfer from other reserve to capital reserve	(g)	-	-	(496,110)	-	-	-	-	496,110	-	-	-	-
Distribution of special dividend (Recognition)/reversal of deferred tax liabilities	15(b) and (c)	-	-	-	-	-	-	-	-	(720,247)	(720,247)	(11,592)	(731,839)
Change in fair value of available-for-sale securities	25	-	-	-	-	-	(11,641)	-	18,473	-	6,832	-	6,832
Exchange differences on translation of financial statement of a subsidiary in Hong Kong	(k)	-	-	-	-	-	72,716	-	-	-	72,716	-	72,716
Profit for the year	(l)	-	-	-	-	-	-	(3,062)	-	-	(3,062)	-	(3,062)
Appropriation	(i)	-	-	-	-	92,288	-	-	-	1,167,247	1,167,247	15,947	1,183,194
Balance as at 31 December 2007		5,444,986	1,557,783	917,666	415,557	97,826	61,075	(3,062)	66,751	1,002,196	9,560,778	77,430	9,638,208

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For the year ended 31 December 2007

(Expressed in Renminbi)

Notes:

- (a) The capital contributions during the years ended 31 December 2006 and 2007 represent the injection of cash and other assets, including property, plant and equipment and the increase in shareholdings in the subsidiaries.
- (b) Profit distributions represent the appropriation made and dividend declared by certain subsidiaries of the Group prior to the establishment of the Company and the acquisition of the Target Business.
- (c) The distributions during the years ended 31 December 2006 represent the reduction in capital of certain subsidiaries and distributions of cash and other assets, including property, plant and equipment by certain subsidiaries upon transformation into limited liability companies.
- (d) The distributions represent the reduction in capital of certain entities included in the Target Business and distribution of cash and other assets, including property, plant and equipment prior to the completion of the acquisition of the Target Business.
- (e) Pursuant to the Restructuring (as defined in note 1(b)), certain assets and liabilities of the Predecessor Operations were not transferred to the Group and were reflected as distributions to the then owner in the consolidated statement of changes in equity for the year ended 31 December 2006.
- (f) Transfer from retained earnings to other reserve represents the net profit of the Target Business for the period from 1 January 2007 to 31 January 2007. The net profit of the Target Business for the period from 1 February 2007 to 31 August 2007 has been distributed to CTC and its subsidiaries (see note 15(b)).
- (g) Transfer from other reserve to capital reserve represents the difference between the consideration for the acquisition of the Target Business and the net assets value of the Target Business.
- (h) Share premium
The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering.
- (i) Statutory surplus reserve
According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, or to expand the Company's business, and may be converted into share capital by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

For the year ended 31 December 2007, the Company transferred RMB 92,288,000 being 10% of the current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.
- (j) Capital reserve
The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from CTC, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation upon the formation of the Company. Then, the capital reserve was net off by the difference between the consideration for the acquisition of Target Business and the net assets value of the Target Business (see note (g)).
- (k) Fair value reserve
The fair value reserve represents the net change in the fair value of available-for-sale securities in other investments held at the balance sheet date.
- (l) Exchange reserve
The exchange reserve represents all foreign exchange differences arising from the translation of the financial statements of subsidiaries located in Hong Kong.

The notes on pages 99 to 186 form part of these financial statements.